

February 24, 2009

The regular meeting of the Council of the City of Martinsville, Virginia, was held on February 24, 2009, in Council Chambers, Municipal Building, at 7:30 PM, with Mayor Kathy Lawson presiding. Council Members present included: Mayor Kathy Lawson, Vice Mayor Kimble Reynolds, Gene Teague, Mark Stroud, Sr., and Danny Turner. Staff present included: Clarence Monday, City Manager, Molly Shelton, Eric Monday, Wayne Knox, Mike Rogers, Cindy Dickerson, Ruth Easley, Steve Draper, Joan Ziglar, Iris Read, and Dennis Bowles.

Following the invocation by Council Member Mark Stroud and Pledge to the American Flag, Mayor Lawson welcomed everyone to the meeting.

On a motion by Kimble Reynolds, seconded by Mark Stroud, Council approved with a 5-0 vote the amended minutes of the February 10, 2009 meeting. The following amendment is to be added to the 2/10/09 minutes per Council Member Turner's request: Council Member Turner made a parliamentary inquiry regarding the emergency ordinance as outlined in City Code.

After comments from Barbara Parker regarding the Big Read program at Piedmont Arts, Mayor Lawson presented the following proclamation:

**Whereas, The Big Read is an initiative of the National Endowment for the Arts in partnership with the Institute of Museum and Library Services and Arts Midwest and is designed to restore reading to the center of American culture; and**

**Whereas, Piedmont Arts Association is one of 208 organizations across the nation to receive a grant to host "The Big Read"; and**  
**Whereas, with literary reading in America declining rapidly among all groups, especially among the young, The Big Read hopes to inspire people across the country to pick up a good book, listen to radio programs, watch video profiles, and read brief essays about classic authors; and**

**Whereas, the initiative includes innovative reading programs, comprehensive resources for discussing classic literature, an ambitious national publicity campaign, and an extensive Web site providing comprehensive information on authors and their works; and**

**Whereas, the activities will include and pay special homage to Harper Lee's classic novel, *To Kill a Mockingbird*, therefore**  
**For these significant reasons, I, Kathy C Lawson, Mayor of the city of Martinsville, Virginia do hereby endorse this special recognition of the Piedmont Arts Big Read Event.**

Mayor Lawson recognized city employees eligible for Service Awards January 1, 2009 through March 31, 2009 by reading the following list:

Michael Bradshaw-Fire/EMS—5 years  
Thomas Slaughter-Police-5 years  
Wesley Brooks-Fire/EMS-10 years  
Richard Barrow-Police-10 years  
Bryant Byrd-Public Works-10 years  
Iris Read-Human Resources-10 years  
Douglas Wickham-Water Resources-15 years

Mark Stroud pointed out he would like to see constitutional employees included in the service award program and this will be discussed further during budget deliberations.

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Mayor Lawson explained scholarship project to entice students to enter government as a career and to engage the minds of young people into the area of government. Council members are sponsoring scholarships at the middle school and high school with winners being recognized May 12, 2009. City Sheriff Steve Draper, Commissioner of Revenue Ruth Easley, City Treasurer Cindy Dickerson, Ashby Pritchett Clerk of Circuit Court, and Commonwealth Attorney Joan Ziglar were recognized for funding a second scholarship.

David Hughes with Robinson, Farmer & Cox presented a report to Council regarding FY08 Audit. He pointed out the FY08 Audit is a good, clean report and has been submitted to GFOA Accounting Office for recognition for excellence in financial reporting. Mr. Hughes reported the Treasurer's office turnover audit should be completed in next 30-45 days. He also indicated that if another turnover audit is needed after the April Treasurer's election, it would not be as costly since a lot of work has already been done and won't have to be created again. He also indicated Robinson, Farmer & Cox would do their best to keep the cost down for the city.

After comments from Bob Dowd of West Piedmont Planning District Commission, Mayor Lawson opened the public hearing to adopt the Martinsville Comprehensive Plan Update 2009. There being no comments from the public, Mayor Lawson closed the public hearing. On a motion by Kimble Reynolds, seconded by Danny Turner, Council adopted the Comprehensive Plan Update 2009 with the following 5-0 recorded vote: Mrs. Lawson, aye; Mr. Reynolds, aye; Mr. Teague, aye; Mr. Stroud, aye; and Mr. Turner, aye. Council members expressed their appreciation to West Piedmont Planning District Commission for the good job on the comprehensive plan. Vice Mayor Reynolds requested that overlay maps be provided to Council as soon as practical.

Dennis Bowles, Superintendent of Electric Operations, explained the need for adoption of the ordinance regarding FERC order 719. He pointed out that Danville and Front Royal have already adopted this ordinance. Citizen comments were from Jimmy Crigger stating this ordinance should be adopted as it was in the citizens' best interests and comments from Chris Koumparakis who voiced opposition to the ordinance and felt it was creating a monopoly as well as being

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acted on too hastily. After lengthy discussion and hearing comments from citizens, Vice Mayor Reynolds made a motion, seconded by Gene Teague, to adopt the following ordinance on second reading:

**City of Martinsville, Virginia Ordinance No. 2009-05**

BE IT ORDAINED by the Council of the City of Martinsville, Virginia, in Regular Session held on February 10, 2009, dispensing with a second reading such that this Ordinance shall take effect immediately, that Section 7-13 be added to Chapter 7 of the Code of the City of Martinsville to read as follows:

**Sec. 7-13. City alone to aggregate demand response of retail customers in accordance with FERC order 719.**

WHEREAS, the City of Martinsville, Virginia (hereinafter "City") owns and operates an electric utility system for the sale of electric power and associated energy for the benefit of its citizens and taxpayers; and

WHEREAS, On October 28, 2008 the Federal Energy Regulatory Commission ("FERC" or "Commission") issued Order No. 719, 125 FERC ¶ 61,071, 73 Fed. Reg. 64,099 ("Order 719").

WHEREAS, Order 719, 18 C.F.R. § 35.28(g)(1)(iii) provides: "Each Commission-approved independent system operator and regional transmission organization must permit a qualified aggregator of retail customers to bid demand response on behalf of retail customers directly into the Commission-approved independent system operator's or regional transmission organization's organized markets, unless the laws and regulations of the relevant electric retail regulatory authority expressly do not permit a retail customer to participate."

WHEREAS, Order No. 719, 18 C.F.R. § 35.28(g)(1)(i)(A) provides: "Every Commission-approved independent system operator or regional transmission organization that operates organized markets based on competitive bidding for energy imbalance, spinning reserves, supplemental reserves, reactive power and voltage control, or regulation and frequency response ancillary services (or its functional equivalent in the Commission-approved independent system operator's or regional transmission organization's tariff) must accept bids from demand response resources in these markets for that product on a basis comparable to any other resources, if the demand response resource meets the necessary technical requirements under the tariff, and submits a bid under the Commission-approved independent system operator's or regional transmission organization's bidding rules at or below the market-clearing price, unless not permitted by the laws or regulations of the relevant electric retail regulatory authority."

WHEREAS, the City Council has determined that it would be harmful to the demand response program to be implemented by the City, the collective interests of the City's electric utility system, and the City's retail customers, to permit any entity other than the City to aggregate demand response on behalf of its retail customers.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Martinsville, Virginia, that:

- A. The City Council, as the retail electric regulatory authority for the City and its retail electric consumers, determines it to be desirable that the aggregation of demand response on behalf of its retail customers to be bid directly into the organized electric and ancillary services markets administered by the regional transmission organization that includes the City (or any successor independent system operator or regional transmission organization) be performed by the City or its authorized designee.
- B. The City or its authorized designee is the sole entity permitted to aggregate retail customers' demand response and bid demand response on behalf of retail customers of the City directly into any Commission-approved independent system operator's or regional transmission organization's organized electric markets.
- C. Retail customers on the City's electric system desiring to bid their demand response into a Commission-approved independent system operator's or regional transmission organization's organized electric markets may do so only by participating in the program established by the City or its authorized designee.
- D. The City or its authorized designee is the sole entity permitted to bid demand response on behalf of retail customers of the City directly into any Commission-approved independent system operator's or regional transmission organization's organized markets for energy imbalance, spinning reserves, supplemental reserves, reactive power and voltage control, or regulation and frequency response ancillary services (or its functional equivalent in the Commission-approved independent system operator's or regional transmission organization's tariff).
- E. Retail customers of the City's electric system desiring to bid their demand response into a Commission-approved independent system operator's or regional transmission organization's organized markets for energy imbalance, spinning reserves, supplemental reserves, reactive power and voltage control, or regulation and frequency response ancillary services (or its functional

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equivalent in the Commission-approved independent system operator's or regional transmission organization's tariff) may do so only by participating in the program established by the City or its authorized designee

F. The Director of the Electric Department is authorized to adopt any necessary regulations to implement this Ordinance.

G. If any section, subsection, paragraph, clause or provision or any part thereof of this Ordinance shall be finally adjudicated by a court of competent jurisdiction to be invalid, the remainder of this Ordinance shall be unaffected by such adjudication and all the remaining provisions of this Ordinance shall remain in full force and effect as though such section, subsection, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not, to the extent of such invalidity, been included herein

The ordinance was adopted with the following 4-0 recorded vote, Mrs. Lawson-aye, Mr. Teague-aye, Mr. Reynolds-aye, Mr. Stroud-aye, and Mr. Turner abstained. Mr. Turner explained he abstained because he thinks this is an illegal proceeding violating the city charter and constitution. Mayor Lawson pointed out this question was asked and answered at the Feb. 10, 2009 meeting and the City Attorney again pointed out that Council action on this matter has been done so legally.

On a motion by Gene Teague, seconded by Kimble Reynolds, Council approved, with a 5-0 vote, the following consent agenda:

BUDGET ADDITIONS FOR 02/24/2009				
ORG	OBJECT	DESCRIPTION	DEBIT	CREDIT
<b>FY09</b>				
<b>GENERAL FUND</b>				
01100909	490104	Advanced/Recovered Costs		6,129
01321102	501200	Fire Department - Overtime	2,250	
01321102	501300	Fire Department - Part-time	700	
01321102	505500	Fire Department - Travel/Training	1,404	
01322105	505500	EMS - Travel/Training	1,775	
		This is to appropriate funds transferred from the School to cover the expenses related to the High School EMT Program.		
01100909	490104	Advanced/Recovered Costs		5,852
01321102	501200	Fire Department - Overtime	4,075	
01321102	501300	Fire Department - Part-time	700	
01321102	505500	Fire Department - Travel/Training	1,077	
		This is to appropriate funds transferred from the School to cover the expenses related to the High School FF Program.		
01100909	490104	Advanced/Recovered Costs		1,904
01321102	506010	Fire Dept - Fire Prevention Supplies	1,904	
		This is to appropriate funds received from the VA Dept of Health to pay for smoke alarms and tools to install them.		
<b>Total General Fund:</b>			13,885	13,885

Clarence Monday, City Manager and Finance Director, presented the monthly finance report for January 2009 which included:

Through the end of January 2009, Fiscal Year 2009, our revenues exceeded the anticipated budget by \$1,123,979. Two of the major funds, Water and Electric, fell slightly short of their anticipated goals at this time by \$9,408 and \$98,328 respectively.

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Overall expenditures were \$803,413 less than anticipated through the end of January. Two funds deviated from their anticipated budgets. The Water Fund expended slightly more than anticipated by \$7,852, and the Sewer Fund expended \$555,255 than anticipated. The Sewer Funds expenditures include the continuing capital project for the sludge press upgrade. With an anticipated budget amendment on the next consent agenda, this figure will come into alignment. Continuing efforts by all departments to be conservative in their purchasing practices is reflected in the lower than anticipated expenditures.

The overall fund balance decreased by \$1,175,755 through the end of January when compared to the beginning of the fiscal year, bringing our total combined fund balances to \$14,541,313. This decrease is approximately 7% of Fiscal Year 2008's total fund balances of \$15,717,069. A majority of the decrease can be attributed to current cash flow with semi-annual debt service being paid in January, and reimbursements yet to be received from state and federal programs. Of our current long-term obligations, 7 out of 10 are due in January, which impacts our cash flow negatively. This decrease should "level out" over the course of the next few months with continued diligence and monitoring of our expenditures, and the anticipated business license and real estate taxes to be received in the coming months.

Mr. Monday pointed out that departments are doing a good job watching their budgets and so far there have not been any budget adjustments. It was pointed out that sales tax revenue for December 08 was 3.55% higher than December 07.

Council reviewed the 2008-2010 Goals document with the additions from their February 18, 2009 and February 24, 2009 discussions. On a motion by Gene Teague, seconded by Danny Turner, and with a 5-0 vote, the final document was adopted by Council ([copy attached to minutes](#)).

For information purposes, City Attorney Eric Monday read the following Disclosure of Personal Interest signed tonight by Council Member Mark Stroud:



DISCLOSURE OF PERSONAL INTEREST


Pursuant to Code of Virginia §§ 2.2-3112(A)(2) and (4) and 2.2-3115(G), I Mark Stroud, a member of Martinsville City Council, make the following disclosure:

1. As a member of City Council I am expected to participate in the discussion of and to vote upon, the adoption of the City's budget, which includes city employee compensation, including benefits such as health insurance.
2. I am an employee of the Martinsville City Sheriff's Office and my wife is an employee of the Martinsville City Public Schools, both of which groups have more than three members.
3. I and my wife are directly affected by the portion of the City budget setting employee compensation.
4. I nevertheless am able to participate in discussion and adoption of the budget, including employee compensation, fairly, objectively, and in the public interest.

I therefore intend to participate in and to vote upon adoption of the City of Martinsville's budget.

A copy of this disclosure has been filed with the Clerk of Council.

GIVEN UNDER MY HAND this 24<sup>th</sup> day of February, 2009.

  
MARK C. STROUD  
Member of City Council

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Human Resources Manager, Iris Read, presented the following information to Council regarding the employee health insurance options:

**Update on Employee Health Insurance--City Council Meeting—Feb. 24, 2009**

This is a follow-up to questions raised by City Council during the work session last week.

1) Of the 122 employees with salaries of less than \$25,000 annually, how many employees are enrolled in the health care benefits? Currently, 93 employees are enrolled in one of the two plans: (63 school employees and 30 city employees). Only four of the 93 employees cover their dependents.

Of the twenty-nine that **are not** on our health care plan:

(11) are covered under a spouse's plan      (6) are covered under an individual policy      (12) do not have coverage

A total of 39 City (non-school) employees have waived coverage, most are covered under their spouse's plan.

Last time we discussed a way to assist the lower-income employee in meeting their out-of-pocket deductible. One alternative is to provide the \$720 or \$1200 Health Savings **upfront** for a specific group of employees, such as those making less than \$25,000 annually; there would be no increase in cost. Instead of depositing the \$60 (for employees only covering themselves) or \$100 (for those with dependent coverage) each month into the savings account, the total annual amount would be deposited. **(\$455,520 has been built into the cost of the High Deductible Health Plan to self-fund the Health Savings Account). Would the deposit be a one-time up-front allocation or continue into subsequent years? The employee owns the money in the Health Savings Account. Should he or she leave our employ prior to the end of the twelve months, the full amount \$720 or \$1200 belongs to the employee.**

2) What options might be considered to assist retirees with the cost of their coverage or help meet the \$3,000 out of pocket expense?

**A.** Increase the City's contribution toward the premium. For eligible individuals, the City currently contributes \$195 per month. Under the proposed High Deductible Plan, retirees who have the current HMO will save about \$15 each month but will pay \$29 more if they are in the PPO. For each additional \$5.00, and based on the current number of retirees in the plan, the annual cost would be **\$6,960. Current annual cost is \$271,440, based on 116 retirees in the plan. The annual cost at \$200 per retiree = \$278,400.**

**B.** Offer a **Health Insurance Credit** to those employees **who are not already receiving such a reimbursement**. The benefit is tax-free and provides eligible retirees with a reimbursement to help with the cost of the retirees' individual or employer-sponsored health insurance or Medicare Part B or Part D premiums. The credit is added to the retiree's monthly retirement benefit. The dollar amount is set annually by the General Assembly. About **50% of our retirees receive** the benefit.

Applicable City and School Employees who qualify and who have the required 15 years of service credit and retire under the Virginia Retirement System include:

1. Teachers – Receive \$4.00 per each year of VRS service - no maximum credit per month

2. Constitutional officers or employees of a local constitutional officer, general registrar or employee of a general registrar, and local social service employees – Receive \$1.50 per each year of VRS service with a monthly maximum cap of \$45.00. For example, a teacher who retires after 30 years of service could receive \$120 each month to help offset the cost of their health care; for other eligible retirees, the maximum monthly cap is \$45.00. The reimbursement amount cannot exceed the actual cost of the premium. Local governments can also elect, via resolution, to provide the Health Care Credit to employees currently not eligible for the health care credit at a reimbursement of \$1.50 per month for each year of VRS service once they have reached the 15-year minimum. Of the 116 retirees currently on the plan, **59 or 51 %** are not eligible for the Health Care Credit or 11 School employees and 48 City employees. The maximum monthly credit would be \$45.00.

The estimated annual cost would be **\$79,000 or 0.63% of payroll**, which is above and beyond the current VRS employer contribution rate of 19.59%, and the decision to provide the credit is irrevocable.

**C.** Make a contribution into a Health Reimbursement or Health Savings Account. For example, a deposit of \$720 for the employee only or \$1200 with dependent coverage would be placed in a Savings Account (which the retiree would own) OR reimburse the retiree's out-of-pocket expenses (\$1,000 to \$2,000) via a Reimbursement Account (which the City owns). As of today, the benefits consultants were unable to obtain individualized data from Southern Health on those employees or retirees who had met their \$3,000 out-of-pocket maximum as this information is protected under the HIPAA (Health Insurance Portability and Accountability Act). However, it was estimated that the percent of retirees who meet the out-of-pocket could be as high as 40%, compared to active employees at 22.5%. Under the consultant's proposal, \$150,000 would be set aside to reimburse active employees under the Health Reimbursement arrangement.

**D.** Contribute a flat amount into a Health Savings Account equal to the \$45 per month what the employee could receive under the Health Care Credit. For example, for a 30 year employee who would receive \$1.50 for each year of VRS service each month equals \$540 per year. Cost would be \$540 for each of the 59 employees who do not receive the credit = **\$31,860; OR, \$41,760** if you used the \$4.00 per VRS year of service for the School retiree currently not receiving the credit.

**E.** For future retirees, we are investigating whether or not unused sick or vacation paid prior to retirement which could be made in a lump sum contribution into the employee's Health Savings Account. However, there are complex requirements under Section 125 Cafeteria Plan IRS guidelines. We will investigate this option further before making a recommendation.

**F.** One final option, but one that is not recommended, is to consider the other alternative health plans that were received through the proposal process. You will recall that during their presentation, the consultants offered three separate approaches to health care benefits for next fiscal year. The least aggressive approach allowed for coverage similar to that available in our current plan with Southern Health. The second strategy was to offer a moderate plan adjustment with includes a similar \$500 deductible PPO coupled with a \$3000 deductible with a Health Saving Account provision. Both of these options delay the inevitable, reduce the

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net savings over time, and would likely result in annual increases being passed along to the employee. The total replacement High Deductible option was recommended by the Health Care Committee and allows the savings to be contributed to employees in the form of an individual Health Savings Account.

Based on an article that I received from *Employee Benefit News* just today, 51% of employers are now offering workers a consumer driven health plan this year, which is up from 47% in 2008. Another 8% expect to implement a consumer driven health plan by 2010. Based on other information from the consultants, Cigna and United Health Care have seen success with the High Deductible Health Care Plans.

The High Deductible Health Plan, with its aggressive approach, provides our employees and retirees with preventive care and catastrophic coverage. It has the potential to reduce the maximum active employee out of pocket maximum from \$3,000 down to \$1,280 for employee only coverage and dependent out of pocket maximum from \$6,000 to \$2,800. Employees who may have made poor health choices in the past will be encouraged to seek cost-free preventive care rather than addressing medical problems after they reach a critical status. Under the High Deductible Plan, employees and retirees should become more choice-conscious before seeking medical care if they must pay for some of the cost themselves. With employees and retirees carefully weighing their options, we could expect that the plan to save money which could be passed along to our employees in premium savings. The lower premiums should encourage some employees who have chosen to opt out or not cover their dependents to join in the group.

An article in yesterday's *Roanoke Times*, discussed the increasing number of drug discounts and/or drug cards are available from national chains to anyone without income requirements. Wal-Mart's program includes more than 350 drugs; Kroger's program includes more than 300 generic drugs. Walgreens Prescription Savings Club offers discounts on more than 5,000 brand name and generic medications. Most offer discounts on a 90-day supply at reduced costs. This may not be the answer for everyone, as each individual's situation will vary.

Under the High Deductible Plan, employees and retirees will have greater access to medical facilities of their choice as well as an improved specialist network. Preventive care is provided at no cost to the employee. Premiums for the active employee can be reduced under the High Deductible Plan. Active employees can apply the savings from premiums to help fund their Savings Account on a pre-taxed basis; the savings are tax free as long as the funds are used to pay qualified health care expenses (until age 65 at which time if used for non-qualified expenses the savings must be reported as income. Each year during enrollment, we have a number of employees who waive off the plan. Some aggressive steps must be taken to prevent the further decline in enrollment and to bring our premiums within a range that employees can afford.

The City Manager has asked that I prepare a summary of "pros" and "cons" of the High Deductible Plan based on various sceneries, which I will make available at the next City Council meeting.

5% Increase in Contributions from City = \$127,616 (\$180 toward premium)

10% Increase in Contributions from City = \$214,304 (\$192 toward premium)

15% Increase in Contributions from City = \$308,216 (\$205 toward premium)

Plus, any change in the cost for retirees = currently at \$271,440 – \$0.00 increase

Council will set a worksession to make final decision on health care plan in time for budget considerations.

Business from the floor: Chris Koumparakis thanked the city for considering a youth center using the old Brown Street gym and said he had a pool table he would donate for the center.

Comments by Council members: Turner-commended Bulldogs on championship; Teague-comments regarding options city has regarding controlling pit bulls; Reynolds-thanked Molly Shelton for filling in for Brenda Prillaman and asked that Brenda's family be remembered at this time; Stroud-citizens have also contacted him about the pit bull issue; Lawson-reminded citizens regarding Trade Show on March 4 and reminded citizens about the March 10 Neighborhood Meeting at Clearview Wesleyan Church. She also commended Wayne Knox on the Uptown tour.

Comments by City Manager: Mr. Monday pointed out that the March 2 workshop with Perriello's staff members and city department heads will address economic stimulus funding.

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In accordance with Section 2.1-344 (A) of the Code of Virginia (1950, and as amended) and upon a motion by Gene Teague, seconded by Kimble Reynolds, with the following 5-0 recorded vote: Mrs. Lawson, aye; Mr. Reynolds, aye; Mr. Stroud, aye; Mr. Teague, aye; and Mr. Turner, aye, Council convened in Closed Session, for the purpose of discussing the following matters: (A) Appointments to boards and commissions as authorized by Subsection 1; (B) A personnel matter as authorized by Subsection 1. (C) Consultation with legal counsel and briefings by staff members, attorneys or consultants pertaining to actual or probable litigation, or other specific legal matters requiring the provision of legal advice by such counsel, as authorized by Subsection 7.

At the conclusion of Closed Session, each returning member of Council certified that (1) only public business matters exempt from open meeting requirements were discussed in said Closed Session; and (2) only those business matters identified in the motion convening the Closed Session were heard, discussed, or considered during said Session. On a motion by Gene Teague, seconded by Mark Stroud, with the following 5-0 recorded vote: Mrs. Lawson, aye; Mr. Reynolds, aye; Mr. Stroud, aye; Mr. Teague, aye; and Mr. Turner, aye, Council returned to Open Session.

On a motion by Gene Teague, seconded by Mark Stroud, with a 5-0 vote, Council re-appointed the following citizens to the Architectural Review Board:

Frances Fleming, 111 Northwood Ct., 3 year term ending 3/31/12

William T. Moore, 508 Mulberry Rd., 3 year term ending 3/31/12

Ashby Pritchett, 715 Corn Tassel Trail, 3 year term ending 3/31/12

No other action was taken.

There being no further business, Mayor Lawson adjourned the meeting at 10:28 PM.

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Clarence C. Monday  
Clerk of Council

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Kathy C. Lawson  
Mayor